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DEX
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Summitry in an Election Year

Summits, like hangings, at least serve the purpose of concentrating the minds of the participants on the matter at hand. And the matter at hand in Puerto Rico today and tomorrow is nothing less than the management of the world economy. The participants are the national leaders of the United States, West German, Japan, France, Britain, Italy and Canada, all of whom are politicians whose daily concerns are very much concentrated on their shaky political prospects. It is easy enough to perceive the Puerto Rican summit as a hastily arranged political exercise to shore up these prospects, which it is. But while President Ford and his fellow summiteers are being statesmen at Dorado Beach, they will perforce have to pay some attention to economics. And that, in itself, should make the whole affair worthwhile.

Since the government chiefs of the leading industrial democracies last got together at the Chateau de Rambouillet near Paris last November, the economic outlook has changed dramatically. The chief question at Rambouillet was whether the United States recovery would be strong and durable enough to carry most of the Western world with it. The intervening answer has been resoundingly in the affirmative, so much so that the question in Puerto Rico will be whether the recovery can be stabilized before it soars into a boom that could be followed by a bust. Latest economic indicators in the United States have been sufficiently inflationary to cause both the Federal Reserve Board and the Ford administration to tighten the belt despite election year temptations to stimulate. The President is expected to urge other Western leaders to adopt a similar approach even though spending cutbacks can cause unemployment rates that are politically damaging.

Obviously heads of government cannot be expected to deal with the intricacies of international finance. Yet at their first economic summit at Rambouillet they were able to establish an atmosphere which helped their finance ministers reach agreement two months later on a more concerted management of floating currencies. This time the need is to set a tone of restraint that, in turn, may promote stability that, in turn, may create a new economic confidence among Western nations. In that direction lies the economic coordination that will enable the Western countries to deal more effectively with the Soviet bloc, the oil-cartel powers and the desperately poor nations seeking to preserve the value of their exports.

In announcing the current summit President Ford said it well when he remarked: "In the past, world leaders have met to deal with crises, but today's complex problems require that leaders meet to avoid them." Before Democrats start crying politics about the Puerto Rico meeting they should note that Governor Carter has advocated "periodic summit conferences and occasional meetings of the leaders of all the industrial democracies" to develop more coordinated economic policies.

U.S., six industrial powers attempt world recovery plan

By ART PINE
Sun Staff Correspondent

San Juan, Puerto Rico—President Ford and leaders of the six other largest non-Communist industrial nations will meet here today for a 1½-day economic summit conference designed to reach some sort of common understanding on how to manage the world recovery.

Mr. Ford and his top aides, including Henry A. Kissinger, the Secretary of State, and William E. Simon, the Secretary of the Treasury, arrived yesterday afternoon to join leaders of West Germany, Japan, France, Great Britain, Italy and Canada.

The meetings will be held at the luxurious Dorado Beach resort area, some 17 miles west of San Juan. Only the heads of state and their cabinet ministers will be allowed in the closed sessions.

The high-level meeting, called by the United States as a follow-up to last November's summit conference at Rambouillet, France, has been perceived largely as a political venture, aimed at bolstering each of the leaders among voters at home.

The conference has been scheduled conveniently just a few weeks before the Republican National Convention, where Mr. Ford is facing a close race for the GOP presidential nomination. Many of the other leaders also are in trouble at home.

However, U.S. officials insist there also are some valid economic reasons for bringing the industrial world's leaders together again, and assert that Mr. Ford and his aides intend to press those issues as the conference unfolds.

The President said on his arrival in San Juan that long-term stability was "the special challenge facing the peoples of all the industrialized democracies." Mr. Ford spent the day greeting incoming leaders.

The U.S. first and foremost wants to prod its major trading partners into taking more heed of the possibility of re-igniting inflation if the recovery is not managed carefully enough both by stronger nations and those with weak economies.

The American delegation also wants to touch on related economic issues, such as the recent U.S. proposal for aid to poor countries, the trade talks now stalled in Geneva, and—more ominously—the question of Communist influence in Italy.

The agenda item on inflation involves a complex series of issues, aimed primarily at heading off a growing disparity between the healthy economies

See SUMMIT, A12, Col. 1

1 of 2

U.S., 6 industrial powers attempt recovery plan

SUMMIT, from A1

and the inflation-wracked nations that ultimately could threaten economic stability.

U.S. officials are becoming increasingly apprehensive about inflation levels in Great Britain, France and Italy, which are causing unwanted turbulence in the currency markets and preventing the recovery from taking hold.

At the same time, they want to dampen temptations for some of the stronger industrial nations to spur their recoveries too rapidly—a move the U.S. fears could lead more quickly to overheating and eventually to renewed inflation.

Ironically, Alan Greenspan, chairman of the President's Council of Economic Advisers, confirmed to reporters yesterday that early figures indicate real output in the U.S. may slow substantially this quarter. However, he said these estimates could be outpaced easily.

What the U.S. plans to suggest, with as much firmness as is diplomatically possible, is that the inflation-plagued nations still need to do a lot more to help arrest prices—from old-fashioned budget-cutting to tightening money and credit.

In a speech last week, Arthur F. Burns, the chairman of the Federal Reserve Board, hinted broadly that some foreign governments are running "frightening" deficits that "have to be brought under control." Other officials vehemently agree.

U.S. officials already have hinted they intend to take a hard line on this issue—tying their demands to prospects for further lines of credit for the weaker nations, such as the $5.3 billion loan recently made to Great Britain.

The U.S. tried in negotiations with the British to make this last month's loan conditional on new steps by the government to cut back on spending, but Prime Minister James Callaghan rejected this as politically unrealistic.

The new U.S. position will be that no more support will be forthcoming without further actions by the weaker nations to deal with the inflation problem. On the other hand, those countries that do act soon would be guaranteed more aid.

In the case of those countries with healthy economies, the administration is seeking co-operation in maintaining a balanced recovery. Officials say they are not looking for any restraint—just a promise to avoid excessive stimulation.

Along with the items on inflation, the U.S. also is expected to try to push for more rapid progress in the trade negotiations at Geneva and to revive its proposals for aid to developing nations, which so far have fallen flat.

The conference also has been timed to give the heads of state an opportunity to discuss the implications of last week's Italian elections, which have left continuing uncertainties in the wake of significant gains by the Communists.

Ironically, the seven-nation parley comes at a time when the world economic situation is substantially better than it was during the Rambouillet meeting, when the recovery still was in doubt and monetary negotiations were threatening to break down.

While problems persist in Great Britain and Italy, the other major nations all are clearly out of the recession. Inflation has subsided in most countries. And the new international monetary system is firmly in place.

Still, there are problems for the summit-talk participants to consider—the situation in Italy and Great Britain and the confrontation with the developing world being only two examples. And all require political, as well as economic, solutions.

The question for many observers is whether these really can be dealt with in a hastily called, 1½-day summit session that has not been preceded by any serious lower-level preparation. Other nations joined in the planning only two weeks ago.

U.S. officials have cautioned that no matter how fruitful the discussions turn out to be, it is unlikely that the conference will produce any major decisions or grandiose plans for resolving problems.

The only concrete announcement expected to emerge at tomorrow's closing is a general statement of good intentions, pledging mutual "co-operation" in insuring economic stability. A similar document was issued at Rambouillet.

Still, it may not have been wasteful for the chiefs of state to get together, if only to provide presidential-level impetus behind key economic and monetary issues.

2